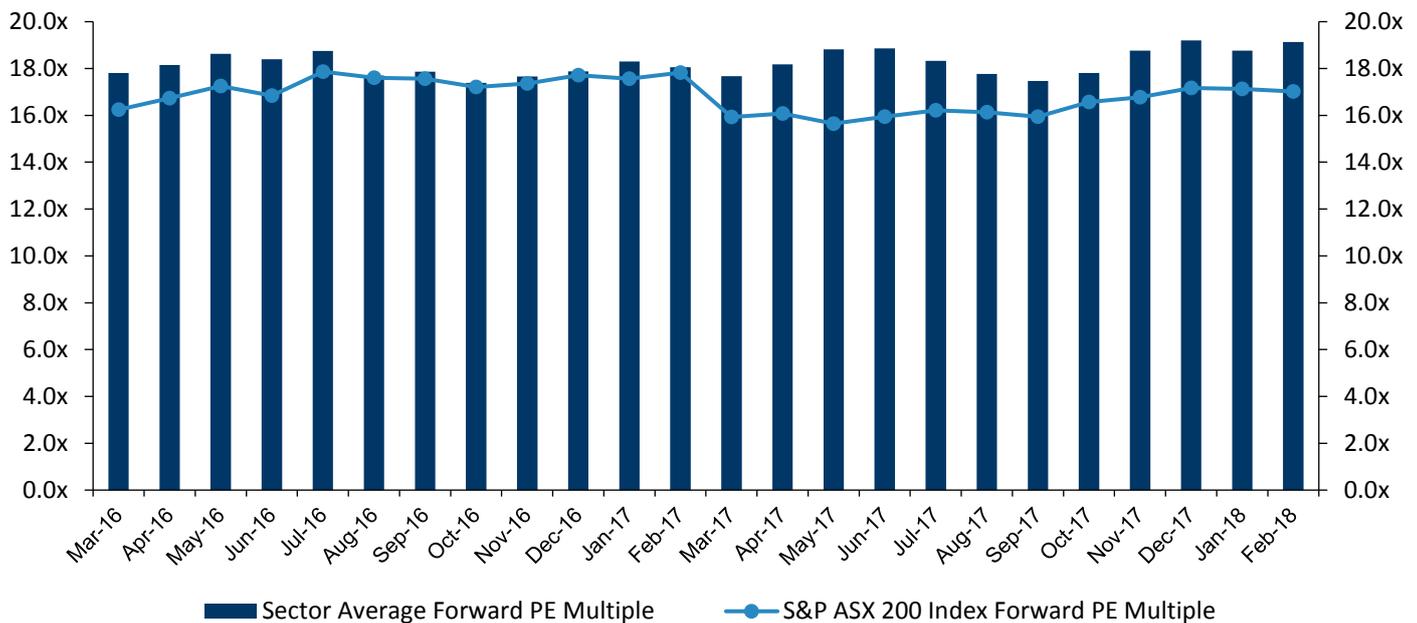


## Food & Agribusiness

### Pricing Multiples

#### Forward Price Earnings Multiples (monthly to 28.02.18)<sup>1</sup> Source: FactSet Research Systems Inc.

Multiples in the Food & Agribusiness (F&A) sector increased over the period. At the end of February, the F&A sector traded on a forward PE of 19.1x, above the ASX200 on 17.0x.



#### Average Values and Trading Multiples (as at 19.03.18) Source: FactSet Research Systems Inc.

| Subsector                        | Enterprise Value | EV/EBITDA FY2018 | EV/EBIT FY2018 | Price / Earnings FY2018 |
|----------------------------------|------------------|------------------|----------------|-------------------------|
| Beverages                        | 21,544           | 15.0x            | 19.0x          | 16.7x                   |
| Food Producers                   | 15,554           | 10.8x            | 15.2x          | 19.3x                   |
| Agricultural Commodities/Milling | 7,628            | 11.0x            | 13.3x          | 15.8x                   |
| Chemicals                        | 23,276           | 9.7x             | 12.8x          | 18.7x                   |
| Food Retail                      | 85,983           | 9.4x             | 12.8x          | 19.0x                   |
| Food Distributors                | 6,068            | 7.9x             | 14.0x          | 11.6x                   |

Note: Multiples are based on the forward year of the unreported period. This is currently FY2018 for the majority of companies. The constituents have been refreshed this month to ensure the sector groups and companies included are current.

<sup>1</sup> The InterFinancial F&A Index set is an unweighted index comprising F&A related companies trading on the Australian Securities Exchange (ASX). Estimates are sourced from FactSet Research Systems Inc.

## Merger & Acquisition News...

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Value: ~\$150.0m

**Krispy Kreme Australia**, the Australia-based donut maker, has been sold back to its US-based parent business NYSE-listed **Krispy Kreme Doughnuts**. Krispy Kreme Australia's major investors, including John Kinghorn and John McGuigan, are expected to receive around \$150m as part of the transaction. Kinghorn and McGuigan own around 70% of **Krispy Kreme Australia**, while minority investors own the remainder.

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## Chewing the Fat...

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- ASX-listed **Elders** and **Ruralco** are preparing to bid for NZX-listed **PGG Wrightson**, the New Zealand-based farm services business with a current market value of NZD 468m. **Elders** is expected to bid for all of **PGG**, while **Ruralco** is likely to avoid bidding for **PGG's** seeds unit. Both **Elders** and **Ruralco** are anticipated to raise capital to help finance their bids. Other possible buyers for **PGG** include **Landmark**, **CK Life Sciences**, and **CHAMP Private Equity**.
- Murray Goulburn's Koroit** milk processing plant is expected to attract strong interest. The plant could be subject to a management buyout, while it is also thought to interest **Union Dairy Company**, the Warrnambool-based dairy group backed by **The Midland Group** and **Louis Dreyfus Beston Global Food Company** is also likely to be interested and could be prepared to raise capital for the purchase. Additionally, **Yili** and **Bega Cheese** are also considered strong contenders for the asset. The Australian Competition and Consumer Commission (ACCC) pointed to the Koroit plant as a major obstacle to **Saputo's** \$1.3bn takeover offer for **Murray Goulburn**.
- CommStream Capital**, a privately held Brisbane, Australia-based agri-finance provider, will seek to raise more capital after closing its current \$5m round, prior to a potential initial public offering (IPO) on the Australian Securities Exchange. The current \$5m raise, the Series A round, will in turn offer new investors around 40% in **CommStream Capital**, and is expected to close by the end of March.
- Consolidated Pastoral Company's (CPC)** sale process is underway. The sale process for the Australian Agrifood business is anticipated to take over six months. **CPC** is being sold by **Terra Firma** and could attract a price of \$1bn.
- ASX-listed **Australian Agricultural Company's (AACo)** largest investor may be moving ahead with plans to privatise the business. **AACo's** share price has fallen from \$1.90 to \$1.165 over the last year, which could make it an attractive time to buyout the group. Joe Lewis, the UK billionaire, owns 42.48% of **AACo** and has always been anticipated to privatise the company, Australia's largest cattle business. **AACo** has a market value of \$700m.
- Eastern Australia Agriculture**, the Australia-based rural property group, has again been put up for sale. The company's portfolio includes the **Kia Ora** and **Clyde cotton production properties**. **Eastern Australia Agriculture** is backed by Hong Kong's **Pacific Alliance Group**. **Lawson Grains** was thought to have offered around \$130m last June, but the deal did not proceed.
- ASX-listed **Graincorp** could be considering the divestment of its terminal assets. Seven bulk terminals on the east coast of Australia and 13 liquid terminals in Australia and New Zealand could be included in a potential transaction. The terminals would likely sell for a few hundred million dollars. **Graincorp** requires funds to maintain the terminals.
- Over 70 parties have expressed interest in buying **Quintis**, the Australian sandalwood business that entered administration in January 2017. Potential buyers comprise of institutional investors, superannuation funds, forestry groups, and sandalwood buyers.
- ASX-listed **Freedom Foods Group** will raise a total of \$200m via an entitlement offer and an institutional placement, with the shares to be offered at \$4.80 each. The equity raising is supported by cornerstone investor **Arrovest**, which has committed to take up its full allocation under the Entitlement Offer. Funds raised will predominantly be used to accelerate **Freedom Foods's** growth strategy, including; acceleration of incremental capacity expansion programs of \$120m, and \$75m for balance sheet flexibility for growth including working capital requirements and potential acquisitions and alliances.
- Keytone Dairy**, the New Zealand-based dairy company, is planning to raise between \$15m and \$20m from an Australian initial public offering (IPO). The proceeds of the IPO will be used for expanding the group's business.
- Viplus Dairy**, the Australia-based milk formula business, is seeking potential buyers. The company could be valued at over \$130m. **Bellamy's Australia** and **A2 Milk Company** are likely to consider buying **Viplus**.
- L Catterton Asia** is interested in buying **Manuka Health**, a New Zealand-based health and wellness business. **L Catterton** is among a number of buyers to have approached Manuka's owner, **Pacific Equity Partners (PEP)** over the last three months. **PEP** bought **Manuka** in 2015.

If you are interested in specific information regarding mergers and acquisitions in the Food & Agribusiness sector, please contact David Hassum or Mark Steinhardt.

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This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from FactSet Research Systems Inc.

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